



State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

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Office of the Commissioner of Insurance Property and Casualty Advisory Council

Minutes October 13, 2006

Council members present: Jim Thomas, Society Insurance Company, Brian Peacy, Employers of Wausau Insurance Company, Maryelyn Geisler, American Family Mutual Insurance Company, John Duwell, West Bend Mutual Insurance Company, and Mary Kaiser, RJF Agencies.

Council members absent: Steve Tauke, M&I Corporation, Lemuel Eaton, Metro Milwaukee Fair Housing Council, Charles Vang, Charles V. Vang Insurance Agency, and Bill Smith, NFIB.

OCI representatives present: Jean Terry, Sue Ezalarab, Lorna Landphier, John Montgomery, Jo LeDuc, Laura Andréasson, Rhonda Peterson, Roger Peterson, Walter Fellows, Ronnie Demergian, Matt Berigan, Commissioner Jorge Gomez, Deputy Commissioner Clare Stapleton Concord, Jim Guidry, and Eileen Mallow.

Others present: Rick Parks, Society Insurance Company, Louie Schubert, American Family Mutual Insurance Company, Don Cleasby, PCI, Chet Gerlach, State Farm Insurance Company, Bill Toman, Quarles & Brady, Eric Englund, WIA, and Richard Pike, Allstate Insurance Company

Jim Thomas chaired the meeting that began at 10:00 a.m. in Room 227, The Spencer Kimball Conference Room, 125 South Webster Street, Madison, Wisconsin.

I. Minutes of Previous Meeting

The minutes from the July 7, 2006 meeting were approved. (John Duwell/Brian Peacy)

II. Agent Licensing Update

Lorna Landphier informed the Council that OCI was in the final stages of adopting administrative rules relating to the NAIC National Uniformity Standards for agent licensing and continuing education. These rules will become effective November 1, 2006. Highlights of the rule changes include:

- New license expiration dates for all agents. The new licenses mailed to everyone in June contain the correct expiration dates. The fee dates and continuing education compliance dates have been combined and now fall at the end of each individual's birth month. New compliance periods will begin in January of 2007. The Agent/Agency lookup feature on OCI's Web site contains the most current information as all dates were updated as a part of the recent computer conversion.
- Biennial regulation fees can only be paid electronically, either through a hotlink on OCI's Web site with a credit or debit card, or by electronic check. Individuals who are required to complete continuing education must have their compliance met and courses posted before they can pay these fees.
- The 3-hour Continuing Education ethics requirement will be imposed beginning in January of 2008.

- Agents who failed to complete their continuing education requirements or pay their regulation fees will be able to complete a simplified reapplication process within one year following license cancellation.
- Correspondence, self-study and on-line courses may be approved for continuing education credit as long as they include successful completion of a certified proctored examination.

Laurna also said the updated *Guide to Wisconsin Continuing Education for Insurance Agents, November 2006* is now available on OCI's Web site.

Sue Ezalarab said that the NAIC adopted the NAIC Model Bulletin that will be sent to All Insurers and Insurance Producers with a Property Line of Authority. Section 207 of the Flood Insurance Reform Act of 2004 requires all producers selling flood insurance policies under the National Flood Insurance Program (NFIP) to be properly trained and educated about the NFIP to ensure producers may best serve their clients. The Bulletin also requires that licensed insurers shall demonstrate to the commissioner, upon request, that their licensed and appointed producers who sell federal flood insurance policies have complied with the minimum federal flood insurance training requirements. Sue said that this will be done as part of a market conduct examination. Discussion followed on what producers will be required to take the training – all licensed agents or only agents in the Write Your Own Program. There is a need to clarify what agents need to take the training. Sue said that she will take that issue back to the Committee for further discussion.

III. Legislative Update

Jim Guidry informed the Council that the legislature has adjourned and will return in January.

IV. Administrative Rule Update

John Montgomery said that OCI submitted its 2007-2009 preliminary biennial budget request to the Department of Administration on September 15, 2006. OCI's budget included requests for more positions in the Division of Regulation and Enforcement – 3 positions in the Bureau of Financial Analysis and Examinations, 4 positions in the Bureau of Market Regulation and 2 positions in Agent Licensing. The budget request also includes statutory language to consolidate OCI's program revenue appropriations to reflect the reorganization that was approved by the Governor in May. A copy of OCI's preliminary biennial budget request is available on OCI's Web site.

Ins 6.77, Wis. Adm. Code – Emergency Rule – Relating to underinsured and uninsured motorist coverage in umbrella and commercial liability policies

Rhonda Peterson informed the Council that OCI has promulgated an emergency rule to revise s. Ins 6.77, Wis. Adm. Code relating to underinsured and uninsured motorist coverage in umbrella and commercial policies. The rule addresses coverage problems that arose due to two recent Wisconsin Supreme Court decisions: Rebernick v. American Family Mutual Insurance Company and Rocker v. USAA Casualty Insurance Company. The rule revisions implement the following changes:

1. The scope of the rule is expanded to include all insurers authorized to write commercial liability policies in Wisconsin.
2. Adds a definition for a commercial liability policy as any form of commercial insurance contract providing coverage for the insured's liability arising out of the ownership, maintenance or use of an automobile or other motor vehicle. For purposes of this section, commercial liability policy includes policies written on farms and agricultural operations, but excludes worker's compensation policies.
3. The exemption under subsection (4) is expanded to apply to commercial liability policies as well as umbrella and excess liability policies.
4. The exemption under subsection (4) (a) is also expanded to exempt the policies mentioned in 3. above from ss. 632.32 (4) and 632.32 (4m), Wis. Stat., which require the

offering and/or providing of uninsured motorists, underinsured motorists, and medical payments coverages.

The effective date for the emergency rule is September 22, 2006.

Sue Ezalarab said that OCI issued a Statement of Scope regarding the filing of insurance forms and insurance policy language simplification. Currently Chapter Ins 6, Wis. Adm. Code requires the use of rate and form transmittal documents which are unique to the State of Wisconsin and for use in Wisconsin only. It is the intent to adopt language and conform to the nationally accepted uniform insurance form listing and to modify rules relating to rate and form transmittal documents. By adopting the uniform language and form file listings Wisconsin will require insurers to utilize the nationally accepted uniform insurance rate and form transmittal documents. All other states will be utilizing these uniform rate and form transmittal documents.

Sue also that SERFF will be down from Wednesday, October 26 to possibly Monday, October 30. SERFF will be moving from the Lotus Notes environment to Oracle. OCI will be receiving training on the new system the week of October 16. SERFF will currently not be accepting any new companies.

V. Fall NAIC Meeting Update
Catastrophe Insurance Working Group

Sue Ezalarab said that the Catastrophe Insurance Working Group continued its work on the white paper *Natural Catastrophe Risk: Creating a Comprehensive National Plan*. The working group held a workshop to discuss what elements should be contained within a comprehensive national plan covering natural disaster perils.

Terrorism Insurance Implementation Working Group

Sue Ezalarab said that the Terrorism Insurance Implementation Working Group discussed the program design for developing a framework for providing terrorism risk insurance. The program would be a two part program that has the federal government assuming the risk of loss for acts of terrorism that involves nuclear, biological, chemical or radiological events and creating a program similar to the current Terrorism Risk Insurance Program for other terrorist's acts. The program would apply to commercial property and casualty lines only.

Climate Change and Global Warming Task Force

Deputy Commissioner Clare Stapleton Concord said that the Climate Change and Global Warming Task Force discussed plans for a public hearing to be held at the Winter 2006 NAIC Meeting. A symposium was held December 2005 but was only by invitation and included scientific aspects as well as insurance implications. It was agreed that the public hearing should focus on insurance risks associated with climate change and not on the scientific aspects of climate change. An outline of Climate Change Insurance Issues was also distributed.

Risk Assessment Working Group

Roger Peterson said that the Risk Assessment Working Group received a final draft of the *Financial Condition Examiners Handbook*, incorporating risk assessment guidance. Roger said that beginning January 1, 2010, financial examinations will be conducted with a risk focus approach. The exams will take a broader look at how companies manage risks and the controls they use to deal with risks. The goal is not to add an additional layer to the regulatory process, but to more effectively allocate examination resources and identification of risk. Examiner training on the new approach will begin in the near future.

Reinsurance Task Force

Roger Peterson said that the Reinsurance Task Force heard presentations from the Bermuda Monetary Authority regarding the Bermuda insurance and reinsurance market, the historical

legislative review process and general regulatory approach, and Standard and Poor's regarding their ratings process and criteria applied to reinsurers. The Task Force also received a summary report from interested parties regarding a potential rating proposal for U.S. reinsurance collateral that will be utilized by the Task Force in designing such a proposal.

Hybrid Working Group

Roger Peterson reported that the Hybrid Working Group adopted a short-term approach for the 2006 annual statement filing that said that all defined hybrid securities are to be reported as preferred stock. A small number will be classified as common stock.

International Solvency Initiatives Working Group

Roger Peterson said that the International Solvency Initiatives Working Group is looking at changes that may be coming with international accounting systems. Work will continue on the developing a common language glossary of solvency terms.

VI. Other Business

Proposed OCI Bulletin on Information Security Incident Reporting

Roger Peterson said that in response to recent incidences of data breaches at insurance companies, OCI has drafted a Bulletin to All Licensed Wisconsin Insurers outlining the steps insurance companies should take if such an incidence occurs. The Bulletin requires all Wisconsin-licensed insurers to notify OCI within 20 days of any unauthorized access to personal information on Wisconsin residents. The Bulletin identifies the information that insurers are asked to provide to OCI. Insurers are also encouraged to notify all affected individuals providing them with information similar to the information provided to OCI. Roger asked that all comments be sent to him by October 27.

Money Smart Week October 2-7

Jean Terry said that Money Smart Week Wisconsin was very successful. There were 489 events held throughout Wisconsin that focused on helping people improve their financial literacy during that week. OCI sponsored an Insurance and Financial Fair on October 4th. The informational fair provided individuals an opportunity to learn about shopping for and buying insurance. Companies and agencies that participated in the fair included: the Department of Public Instruction, the Department of Financial Institutions, the Department of Agriculture, Trade and Consumer Protection, the Wisconsin Housing and Economic Development Authority, American Family Insurance Company, Thrivent Financial for Lutherans™ and WEA Insurance Company. This was the first year for this campaign. The goal is to continue to sponsor Money Smart Week every year in October.

VII. Next Meeting Date

The next meeting of the Property and Casualty Advisory Council is scheduled for Friday, January 5, 2007 at 125 South Webster Street. The Council adjourned at 12:00 p.m.